

September 2024 Revenue Estimating Conference Report



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City of Detroit
September 2024 Revenue Estimating Conference Report

September 9, 2024

Overview of Revenue Estimating Conference:

State of Michigan Public Act 279 of 1909, Section 117.4t(1)(d), as amended by Public Act 182 of 2014, states the City of Detroit shall hold biannual revenue estimating conferences, which shall establish the official economic forecast and forecast of anticipated revenues of the City. The City holds its Revenue Estimating Conferences in September and February of each fiscal year. The voting principals are the City's Chief Financial Officer (CFO), the State Treasurer (or designee), and a person affiliated with another public entity, including a State institution of higher education, with experience in economic forecasting and revenue projection selected by the CFO and State Treasurer. The voting principals for the September 2024 Revenue Estimating Conference are:

- Jay B. Rising, Chief Financial Officer, City of Detroit
- Eric Bussis, Chief Economist and Director, Office of Revenue and Tax Analysis, Michigan Department of Treasury (on behalf of State Treasurer Rachael Eubanks)
- George Fulton, PhD, Director Emeritus, Research Seminar in Quantitative Economics (RSQE), Department of Economics, University of Michigan

The Office of Budget, within the Office of the Chief Financial Officer (OCFO), prepared revenue estimates for consideration by the conference principals. Following their review, the principals approved the revenue estimates without modification. In preparing the revenue estimates, the Office of Budget consulted with the OCFO's Offices of the Assessor, Departmental Financial Services, and the Treasury, as well as the City Council's Legislative Policy Division and the Office of the Auditor General. The Office of Budget thanks its colleagues for their continued support and assistance throughout the revenue estimation process.

The estimates that follow include the current fiscal year (FY 2025) and the four succeeding fiscal years (FY 2025 through FY 2029). While there is a greater focus on the General Fund, the estimates also cover the City's grant, enterprise, and special revenue funds. The forecast assumes that current law and administrative procedures will remain in effect for the forecast period.

Summary of Revenue Estimates:

Detroit's economy continues to show steady growth marked by job and wage gains for Detroiters and improving employment levels, according to the [Detroit Economic Outlook for 2023-2029](#) released by the Research Seminar in Quantitative Economics (RSQE) at the University of Michigan earlier this month.

The economic outlook report shows "wage growth adjusted for Detroit CPI (Consumer Price Index) inflation averages 1.0 percent per year from 2024 to 2029 at Detroit establishments, while wage growth for employed Detroiters averages 1.4 percent per year. Both of those rates outpace the real wage growth we are forecasting statewide, which averages 0.6 percent per year in that time."

the City's economy will continue to improve with steady growth in payroll jobs, wages and the labor force. "We expect our forecast of continued employment growth, falling unemployment, and a return to growing real incomes to translate into ongoing, if gradual, progress toward more inclusive prosperity for Detroit residents over the next five years," said Gabriel Ehrlich, Director, University of Michigan Research Seminar in Quantitative Economics and lead author of the forecast. Household employment is expected to increase by nearly 8,300 by the end of the forecast period.

The Revenue Conference reported FY 2025 General Fund recurring revenues projected at \$1.382 billion for the current fiscal year ending June 30, 2025, up nearly \$52.3 million (3.9%) from the previous conference estimate in February 2024. The increase is driven by our growing income, wagering and property tax base. The FY 2025 revenue estimates also include an additional \$12.9 million of non-recurring revenues, primarily from short term investment earnings.

General Fund recurring revenues for FY 2026, which begins July 1, 2025, are now forecasted at \$1.413 billion, an increase of \$31.0 million (2.2%) over the revised FY 2025 estimates above. The projected increase is led by income taxes as the local economy continues to see steady growth in jobs and wages. The out-year forecasts for FY 2027 through FY 2029 show continued overall revenue growth of about 2% per year.

Note that all revenue estimates exclude the use of fund balance and inter-fund transfers, which may otherwise appear in the City budget.

City of Detroit - General Fund Revenue Estimates - Summary

\$ in millions

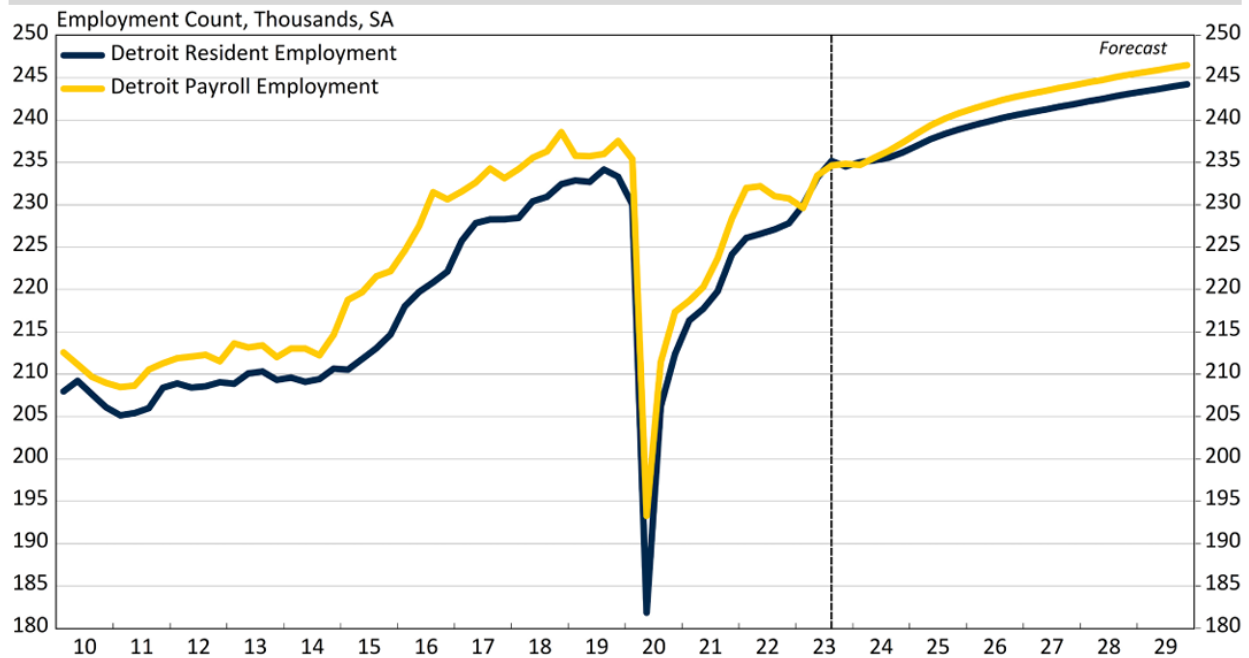
	FY 2022 Audited Actual	FY 2023 Audited Actual	FY 2024 Projected Actual	September 2024 Estimates				
				FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Major Taxes								
Income Tax	\$ 402.2	\$ 408.1	\$ 434.6	\$ 446.2	\$ 462.0	\$ 475.0	\$ 490.1	\$ 505.8
Recurring Base	366.2	406.0	427.2	443.7	459.5	474.0	489.1	504.8
Non-recurring	36.0	2.0	7.4	2.5	2.5	1.0	1.0	1.0
State Revenue Sharing	\$ 219.6	\$ 224.7	\$ 234.5	\$ 241.5	\$ 245.9	\$ 250.4	\$ 254.9	\$ 259.6
Recurring Base	214.9	223.2	231.3	241.5	245.9	250.4	254.9	259.6
Non-recurring	4.7	1.5	3.2	-	-	-	-	-
Wagering Tax	\$ 277.6	\$ 255.8	\$ 260.8	\$ 282.6	\$ 285.6	\$ 288.5	\$ 295.4	\$ 298.3
Recurring Base	237.1	255.8	258.5	282.6	285.6	288.5	295.4	298.3
Non-recurring	40.5	-	2.4	-	-	-	-	-
Property Tax	\$ 129.8	\$ 140.0	\$ 149.6	\$ 161.5	\$ 164.2	\$ 168.1	\$ 172.3	\$ 176.3
Recurring Base	129.8	140.0	148.3	161.5	164.2	168.1	172.3	176.3
Non-recurring	-	-	1.4	-	-	-	-	-
Utility Users Tax	\$ 38.1	\$ 41.1	\$ 39.0	\$ 39.8	\$ 40.3	\$ 40.8	\$ 41.4	\$ 41.9
Recurring Base	38.5	41.1	39.3	39.8	40.3	40.8	41.4	41.9
Non-recurring	(0.4)	0.0	(0.3)	-	-	-	-	-
Subtotal, Major Taxes	\$ 1,067.3	\$ 1,069.6	\$ 1,118.6	\$ 1,171.6	\$ 1,198.0	\$ 1,222.8	\$ 1,254.2	\$ 1,282.0
Major Taxes, Recurring	986.5	1,066.1	1,104.5	1,169.1	1,195.6	1,221.8	1,253.2	1,281.0
Major Taxes, Non-Recurring	80.8	3.5	14.1	2.5	2.5	1.0	1.0	1.0
Other Revenues	\$ 186.0	\$ 231.2	\$ 251.0	\$ 240.8	\$ 223.3	\$ 222.1	\$ 225.2	\$ 228.3
Recurring	181.3	196.4	194.0	212.5	217.0	220.9	223.9	227.1
Non-recurring	4.6	34.8	57.0	28.3	6.3	1.3	1.3	1.3
Total, General Fund	\$ 1,253.3	\$ 1,300.8	\$ 1,369.6	\$ 1,412.3	\$ 1,421.3	\$ 1,444.9	\$ 1,479.4	\$ 1,510.3
General Fund, Recurring	1,167.8	1,262.5	1,298.6	1,381.6	1,412.6	1,442.7	1,477.1	1,508.0
General Fund, Non-Recurring	85.4	38.4	71.0	30.7	8.7	2.3	2.3	2.3

Economic Conditions

Employment and Wages

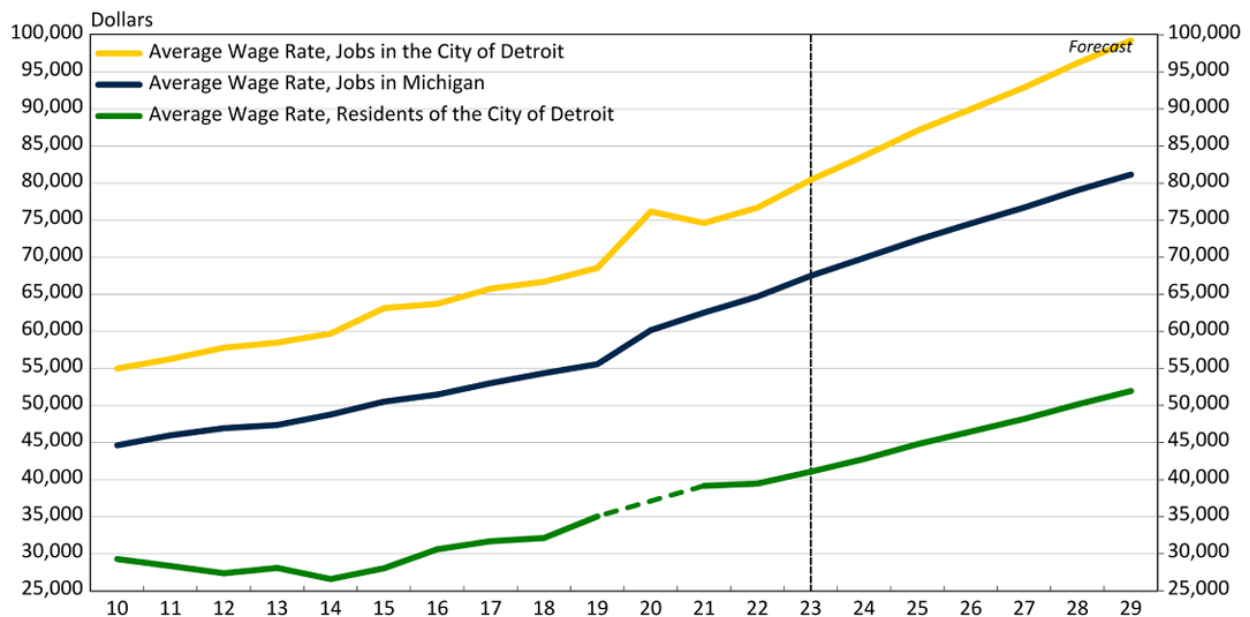
From the RSQE report [linked here](#): “Detroit payroll employment added 200 jobs in the fourth quarter of 2023 despite the strikes at Blue Cross Blue Shield of Michigan, the Detroit Three automakers, and the three major Detroit casinos. Declining employment in financial services is a large reason why Detroit’s payroll employment count has lagged behind the gains experienced by Detroit residents since 2022.” The forecast anticipates “faster growth for payroll jobs than for resident employment because...jobs at establishments have been more affected by higher interest rates, allowing for additional growth as rates decrease. Payroll jobs and resident employment are expected to grow at roughly the same rate in the final three years of our forecast, as interest rates approach their neutral levels in 2027.” Wage growth for Detroit residents is projected “to run slightly ahead of wage growth at jobs located in the city and state over our forecast. From 2024 to 2029, real wages are forecast to grow by an average of 1 percent per year at Detroit establishments...and by 1.4 percent per year for residents of the city.” The positive outlook for employment and wages will contribute to growth in income tax revenue for the City.

Quarterly Average Payroll and Resident Employment, City of Detroit



Source: University of Michigan, Research Seminar in Quantitative Economics, City of Detroit Economic Outlook for 2023–2029

Annual Wage and Salary Income per Worker, City of Detroit and Michigan



Source: University of Michigan, Research Seminar in Quantitative Economics, City of Detroit Economic Outlook for 2023–2029

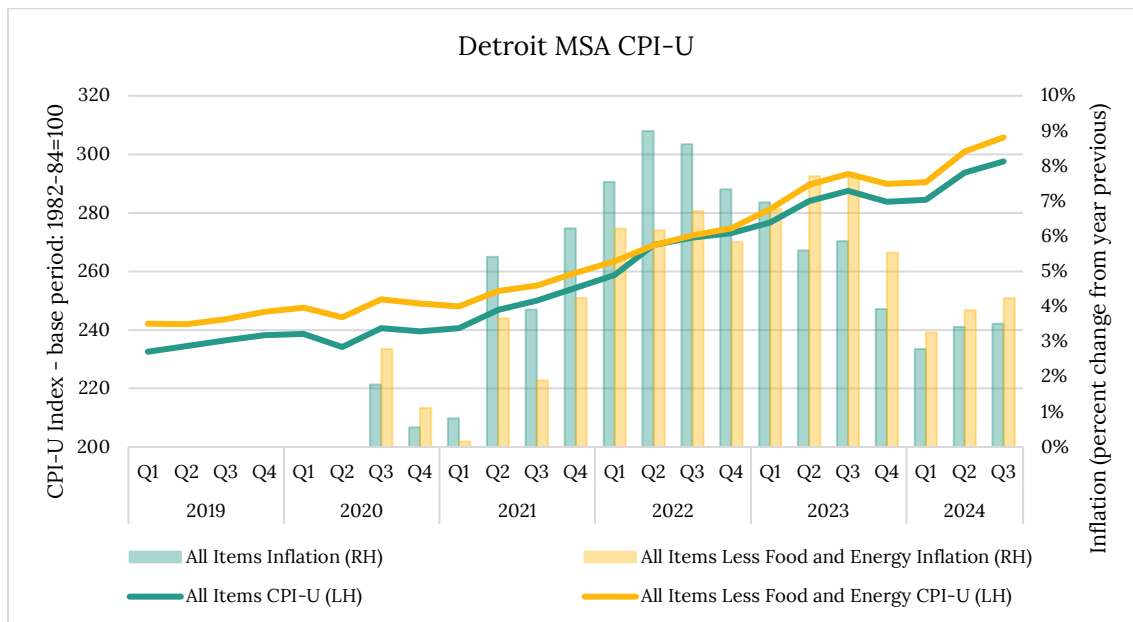
City of Detroit Population Estimates

From the Q1 2024 City of Detroit Economic Indicator Report [linked here](#): “According to the 2023 vintage [population estimates], the City of Detroit increased from 631,366 in 2022 to 633,218 in 2023, a gain of 1,852 people. This marks the first time the city has gained population year over year since 1957. City population estimates are important for a variety of reasons; an increasing population is not only a helpful economic indicator, but it also feeds directly into formulas for various sources of state and federal funding. For example, the population-based State’s revenue sharing allocation represented 21% of the City of Detroit’s major tax revenue in fiscal year 2023, so monitoring the annual population estimates between the Decennial estimates is crucial. ...it is notable that in the 2023 vintage, the Census Bureau revised Detroit’s population up by nearly 5,600 people in 2021 and by 11,000 people in 2022. These revisions were the result of Detroit contesting the 2021 and 2022 estimates, which led the Census Bureau to adjust the numbers based on newly reviewed data.”

Economic Risks

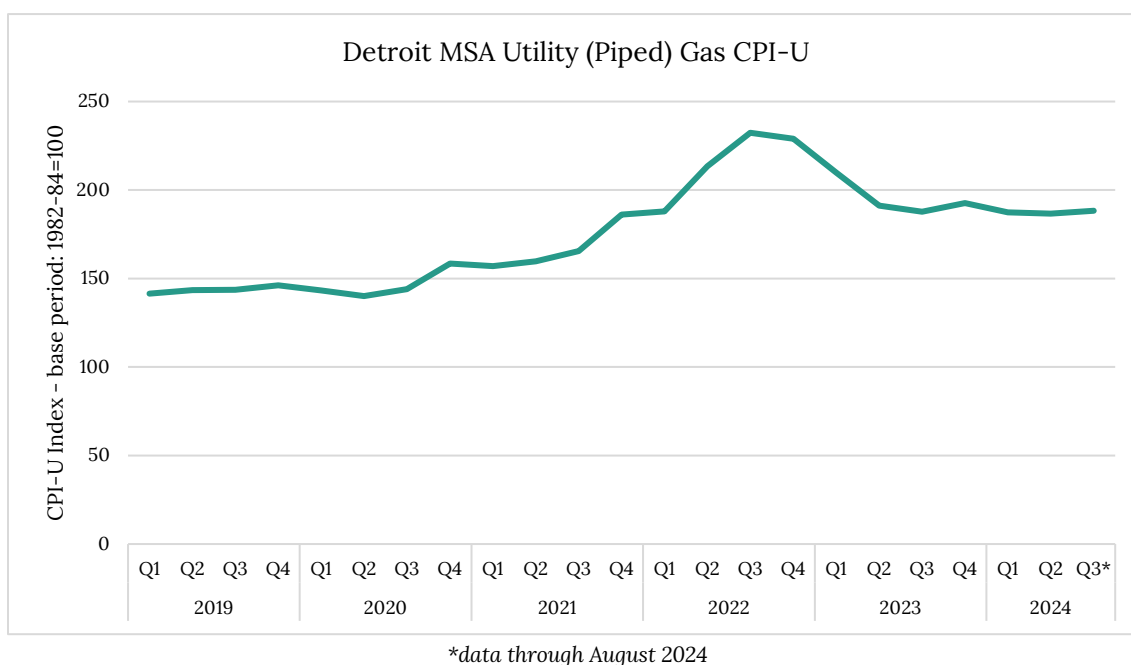
Utility Prices

Inflation in general has been a major concern for the majority of individuals in the U.S. for the past few years. In the most recent (July 2024) Survey of Consumers from the University of Michigan [linked here](#), “sentiment has lifted 33% above the June 2022 historic low, but it remains guarded as high prices continue to drag down attitudes, particularly for those with lower incomes.” For the Detroit MSA (Detroit, Warren, and Dearborn), prices measured by the CPI-U¹ for all items and all items less food and energy have been increasing in the first three quarters of 2024. While inflation (measured by the annual change in CPI-U) has been cooling since Q4 2023, the first three quarters of 2024 have risen slightly. In the chart below, the CPI-U index is shown as lines and measured on the left-hand side axis and inflation is shown as bars and measured on the right-hand side axis:



¹ Not seasonally adjusted; CPI-U data comes from the Bureau of Labor Statistics: <https://data.bls.gov/multi-screen?survey=cu>

Increasing prices are the historical “norm,” but when paired with comparatively slower wage growth, resident purchasing power declines. Although the latest RSQE forecast “expect(s) wage growth to outrun inflation in 2024 and beyond,” wage growth for Detroit residents is projected to grow at a slow 1.4 percent. Price changes are also a concern at the City; while the CPI-U index has been increasing since Q4 2022, the CPI-U index for utility (piped) gas in the Detroit MSA has been falling. This poses a risk to the revenue received by the City of Detroit through the utility users’ tax (UUT). UUT revenue dropped by 5%, from \$41.1 million to \$39.0 million, between FY 2023 and FY 2024. Details on this tax can be found later in this report under the Utility Users’ Tax section.



Summary of Economic Drivers:

Major Revenue	Economic Input	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Municipal Income Tax	Resident Employment Growth ¹	2.4%	0.7%	1.1%	0.7%	0.5%	0.5%
	Payroll Employment Growth ¹	1.6%	1.3%	1.4%	0.8%	0.6%	0.5%
	Resident Wage Growth ²	4.2%	4.5%	4.2%	3.7%	3.9%	3.9%
	Payroll Wage Growth ²	3.5%	4.7%	3.6%	3.2%	3.4%	3.3%
	Corporate Income Growth ⁴	-8.9%	-1.2%	-1.9%	0.0%	0.0%	0.0%
	Partnership Income Growth	-17.5%	-1.2%	-1.9%	0.0%	0.0%	0.0%
Property Tax	U.S. Consumer Price Index for All Urban Consumers (U.S. CPI-U) ³	5.0%	5.0%	2.6%	2.6%	2.6%	2.6%
State Revenue Sharing	State Sales Tax Forecast ⁴	0.8%	-1.6%	1.4%	1.4%	1.4%	1.4%
	City/State Population Ratio ⁵	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%

Wagering Tax	Onsite Adjusted Gross Receipt (AGR) Growth Rate	-2.6%	5.0%	1.0%	1.0%	1.0%	1.0%
	Internet AGR Growth Rate	7.2%	13.5%	1.0%	1.0%	1.0%	1.0%
Utility Users Tax	Net UUT Growth Rate	-5.0%	1.3%	1.3%	1.3%	1.3%	1.3%

Sources:

1. U.S. Census Bureau and Local Area Unemployment Statistics
2. Quarterly Census of Employment and Wages
3. Actual CPI was higher than 5%, but taxable value growth cannot exceed 5% per Proposal A limits. FY 2024 uses the average annual US CPI-U as reported from the U.S. Bureau of Labor Statistics, FY 2025-2029 uses the US CPI-U consensus forecast from the Survey of Professional Forecasters.
4. State of Michigan May 2024 Consensus Revenue Estimating Conference
5. U.S. Census Bureau, 2020 Decennial Census Redistricting Data

Current Year General Fund Revenue Estimates:

As shown in the summary table on page 3, the FY 2024 recurring General Fund revenue projected actual is \$1,298.6 million. Fiscal year 2025 is projected to grow by 6.4% to \$1,381.6 million. The updated FY 2025 estimates have been increased by \$52.3 million since the February 2024 Revenue Estimating Conference, representing a 3.9% gain. The increase is primarily driven by higher wages putting upward pressure on income tax and elevated internet gaming tax receipts. The City has also seen a boost in its taxable value, increasing its base for property tax.

Compared to the FY 2025 projected actual, recurring FY 2026 revenues are expected to increase overall by \$31.0 million (2.2%). Income tax growth is a primary driver behind this expected increase and accounts for \$15.8 million of the \$31.0 million. Recurring Other Revenues for FY 2026 are forecasted to increase \$4.5 million over the FY 2025 projected actual value.

Non-recurring revenues of \$71.0 million are projected to be received in FY 2024. These revenues include \$43.3 million from one-time investment activity and \$7.3 million from one-time income tax payments. In FY 2025, non-recurring revenues are expected to be \$30.7 million, about two-thirds of which is from one-time investment activity (\$20.0 million).

Summary of Major Taxes:

As shown in the summary table below, the projected actuals for the General Fund major revenues in FY 2024 are \$1,118.6 million, \$14.1 million of which is non-recurring. Recurring major revenue in FY 2025 is projected to be 5.8% higher than FY 2024. The forecasts for FY 2026-2029 also show an increase in recurring revenue spurred by growth in all recurring major revenue categories. Please see the sections below for additional details on the major revenues forecast:

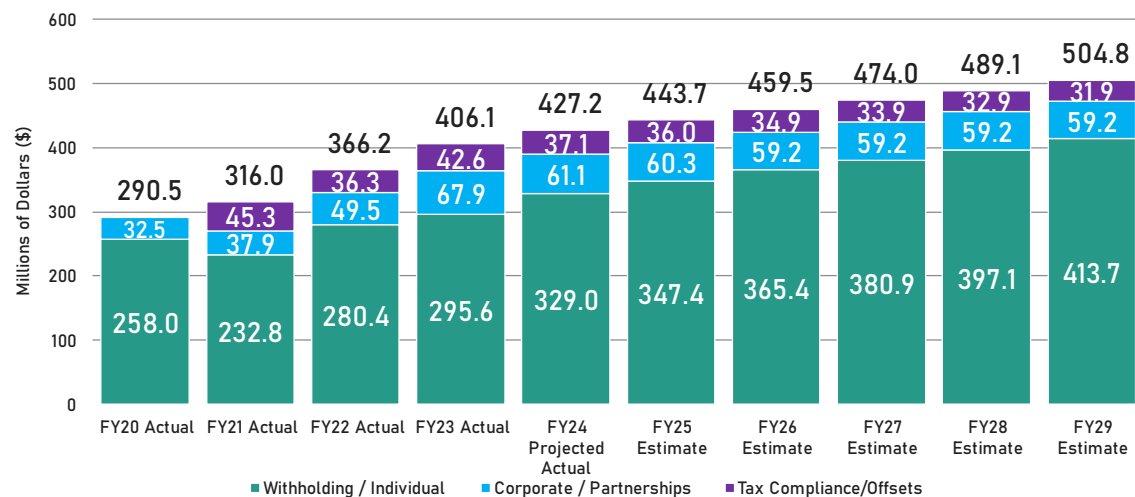
City of Detroit - General Fund Major Revenue Estimates - Detail

\$ in millions

	FY 2022	FY 2023	FY 2024	September 2024 Estimates				
	Audited Actual	Audited Actual	Projected Actual	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Major Taxes								
Income Tax	\$ 402.2	\$ 408.1	\$ 434.6	\$ 446.2	\$ 462.0	\$ 475.0	\$ 490.1	\$ 505.8
Withholding	309.1	331.7	361.0	380.9	400.4	417.3	434.9	452.9
Individual Returns	28.7	26.6	27.4	29.0	30.4	31.7	33.1	34.4
Corporate	40.3	58.9	53.7	53.0	52.0	52.0	52.0	52.0
Partnership	9.2	9.0	7.4	7.3	7.2	7.2	7.2	7.2
Tax Compliance/Offsets	36.3	42.6	37.1	36.0	34.9	33.9	32.9	31.9
Total Refunds	(57.4)	(62.7)	(59.4)	(62.5)	(65.5)	(68.1)	(70.9)	(73.7)
Regular Refund Estimate	(30.0)	(32.2)	(35.1)	(37.0)	(38.9)	(40.6)	(42.3)	(44.0)
Nonresident Remote Work Estimate	(27.4)	(30.5)	(24.3)	(25.5)	(26.6)	(27.5)	(28.6)	(29.6)
Non-Recurring	36.0	2.0	7.4	2.5	2.5	1.0	1.0	1.0
State Revenue Sharing	\$ 219.6	\$ 224.7	\$ 234.5	\$ 241.5	\$ 245.9	\$ 250.4	\$ 254.9	\$ 259.6
Statutory	147.2	154.5	161.9	173.3	176.8	180.3	183.9	187.6
Constitutional	67.7	68.7	69.4	68.2	69.1	70.1	71.0	72.0
Non-Recurring	4.7	1.5	3.2	-	-	-	-	-
Wagering Tax	\$ 277.6	\$ 255.8	\$ 260.8	\$ 282.6	\$ 285.6	\$ 288.5	\$ 295.4	\$ 298.3
Retail Gaming	141.9	137.6	133.5	140.3	141.7	143.1	144.5	146.0
Internet Gaming	59.1	77.2	86.3	94.3	95.3	96.2	97.2	98.1
Retail Sports Betting	1.0	0.6	0.8	0.8	0.8	0.8	0.8	0.9
Internet Sports Betting	3.5	4.8	2.9	4.4	4.5	4.5	4.6	4.6
Percentage Payment - Retail	19.3	19.1	18.1	18.9	19.2	19.4	23.6	23.9
Percentage Payment - Internet	12.3	16.4	16.8	23.8	24.2	24.4	24.6	24.9
Non-Recurring	40.5	-	2.4	-	-	-	-	-
Property Tax	\$ 129.8	\$ 140.0	\$ 149.6	\$ 161.5	\$ 164.2	\$ 168.1	\$ 172.3	\$ 176.3
Gross Current	109.7	119.1	128.3	140.3	143.1	146.8	150.6	154.2
TIF Distributions	(15.1)	(18.2)	(18.6)	(20.7)	(21.3)	(21.8)	(22.4)	(23.0)
Delinquent	31.8	34.9	33.6	36.3	36.7	37.3	38.2	38.9
Special Acts	3.4	4.2	5.0	5.5	5.7	5.8	6.0	6.1
Non-Recurring	-	-	1.4	-	-	-	-	-
Net Utility Users Tax	\$ 38.1	\$ 41.1	\$ 39.0	\$ 39.8	\$ 40.3	\$ 40.8	\$ 41.4	\$ 41.9
Utility Users Tax	51.0	53.6	51.8	52.3	52.8	53.3	53.9	54.4
To Public Lighting Authority	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)
Non-Recurring	(0.4)	0.0	(0.3)	-	-	-	-	-
Total, Major Taxes	\$ 1,067.3	\$ 1,069.6	\$ 1,118.6	\$ 1,171.6	\$ 1,198.0	\$ 1,222.8	\$ 1,254.2	\$ 1,282.0
Major Taxes, Recurring	986.5	1,066.1	1,104.5	1,169.1	1,195.6	1,221.8	1,253.2	1,281.0
Major Taxes, Non-Recurring	80.8	3.5	14.1	2.5	2.5	1.0	1.0	1.0

Municipal Income Tax:

Recurring Income Tax



Note: Excludes estimated one-time activity totaling \$36 million in FY22 and \$2 million in FY23.

In accordance with the City Income Tax Act (Public Act 284 of 1964, as amended), the City levies a municipal income tax, with certain exemptions such as unemployment benefits. The current tax rates are 2.4% for residents, 1.2% for nonresidents, and 2.0% for corporations, which are the maximum allowed by State law. Nonresident taxes only apply to work performed within the City's boundaries. The primary drivers behind income tax revenue are resident employment levels, nonresident employment levels, and wages. The base year employment estimates are tied to observed local area employment data, and employment growth rates for each employment category are projected independently. Wage growth is projected using observed regional and local wage data and is assumed to be uniform for each employment category.

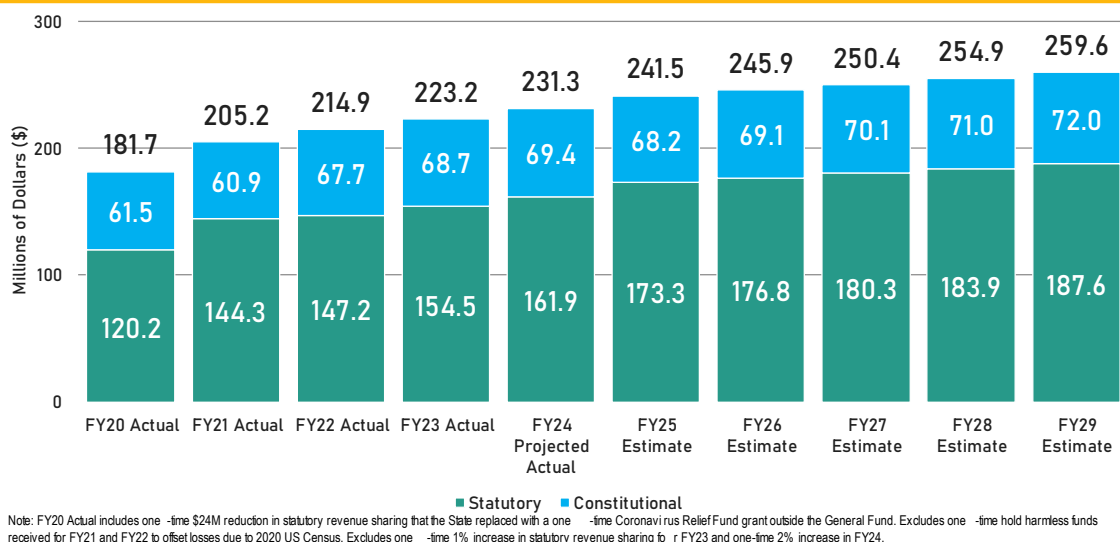
The FY 2025 projection represents a 3.9% increase compared to FY 2024 projected actuals. The FY 2025 forecast anticipates a \$25.5 million revenue loss from nonresidents working remotely, slightly above the estimated \$24.3 million revenue loss in FY 2024. There is an assumption that remote work has reached a steady state and that growth for income tax will be driven by the anticipated growth in resident wages. Remote work is assumed to be nontaxable, and subject to either an adjustment in withholding or a future tax refund. Of course, not all nonresident employment can be conducted remotely (e.g., health care, manufacturing, construction, leisure and hospitality). The remote work estimates are projected to grow at the similar rate as withholding – both between 3.7% and 5.1% annually from FY 2026 – FY 2029.

In FY 2021, City Treasury began a large-scale tax compliance program in partnership with the State of Michigan to collect income taxes owed to the City not otherwise collected from withholding or individual tax payments. In this program, a delinquent taxpayer is identified through a process where the primary address that the taxpayer used when filing State returns is matched with City tax filings to verify that all taxes due are paid. If there are outstanding taxes owed, collections efforts are initiated. The majority of collection on these prior year income taxes come from income tax refund offsets, where a refund owed to a taxpayer from federal and/or state income taxes is used to pay off income taxes owed to the City. The tax compliance program collected \$124.2 million from FY 2021 to FY 2023. The FY 2024 projected actual is \$37.1 million, with another \$70.9 million forecasted to be collected by the end of FY 2026. During the forecast period, it is estimated that collections will decrease at a 3% rate each year, as the base of delinquency tax continues to fall.

In line with the State of Michigan's expectations, corporate income tax revenue decreased by 25% from FY 2023 to FY 2024. The State of Michigan expects corporate income tax to fall by an average of 1.5% from FY 2024 to FY 2026. Partnership income tax revenue is projected to follow a downward trend along with corporate income tax revenue. The forecast does not include potential upside on current year taxes from new development projects or increased compliance efforts. Income tax activity that has been identified as non-recurring is not included in the forecasted base.

State Revenue Sharing:

Recurring State Revenue Sharing



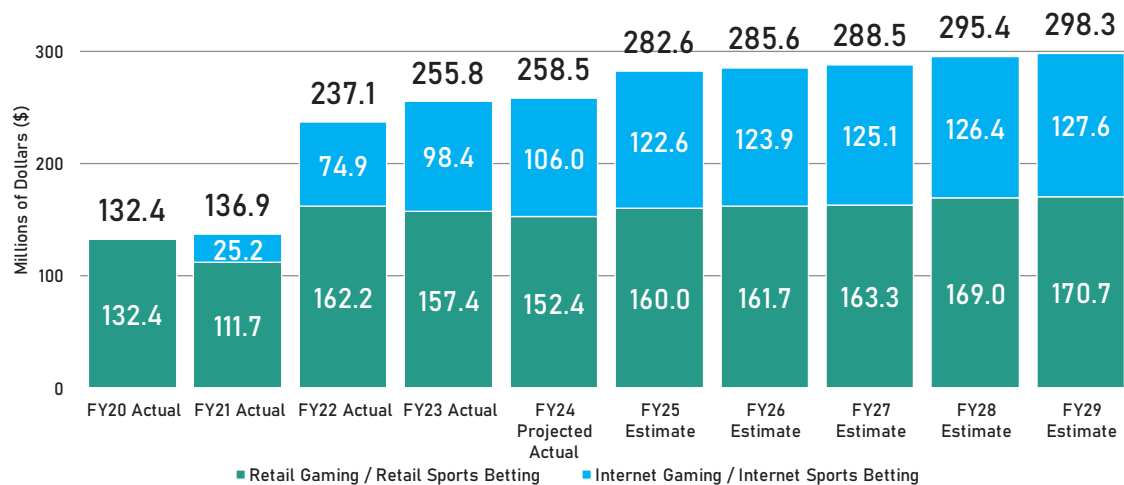
Revenue sharing payments from the State come from two components: constitutional and statutory. The State Constitution of 1963, Article IX, Section 10, as amended, requires constitutional revenue sharing payments to municipalities based on 15% of the 4% portion of Michigan's sales tax collections. The State allocates amounts to municipalities based on population as of the last decennial Census. Statutory revenue sharing payments have an underlying formula distribution. For the past several years statutory allocations have instead been determined annually in the State budget as a percentage change from the prior year allocation.

The forecast assumes growth in the constitutional share based on the State's May 2024 Consensus Revenue Estimating Conference. Based on the State's reported sales tax, there is a 1.6% decrease projected between FY 2024 and FY 2025. This causes a 1.8% lower projection for recurring constitutional revenue for FY 2025 compared to FY 2024. The forecast uses the reported 2020 Census results to estimate Detroit's share of constitutional revenue sharing. Under state law, the City was also subject to recoupment in FY 2022 for the difference in the reported 2020 Census versus the 2010 Census, going back to FY 2021. Instead of the recoupment to adjust the constitutional revenue sharing payment to reflect the new population ratio, Detroit was allowed to keep the revenue sharing payments it had received before the population ratio was set. These are represented as non-recurring "hold harmless" funds, where \$8.8 million was kept in FY 2021 and \$4.7 million was kept in FY 2022, totaling to \$13.5 million in non-recurring activity. The statutory revenue sharing amount for FY 2024 includes a 4.8% increase over the recurring total for FY 2023 along with a \$3.1 million

one-time increase that is not projected to continue. A 2% growth rate is forecasted for the statutory portion for fiscal years 2025 – 2029. FY 2025 recurring statutory revenue sharing is projected to be \$173.3 million and total recurring state revenue sharing is expected to be \$241.5 million.

Wagering Tax:

Recurring Wagering Tax



In accordance with the Michigan Gaming Control and Revenue Act (Initiated Law 1 of 1996, as amended) and associated development agreements, a tax on adjusted gross receipts (AGR) is applied to the three casinos operating in Detroit. The current City retail gaming wagering tax rate is 10.9% plus 1% on all gaming types pursuant to the casinos’ development agreements with the City. The casinos additionally pay the City a supplemental 1% tax if their adjusted gross receipts exceed \$400 million in a calendar year. The City also assesses a municipal service fee from each casino of 1.25% of adjusted gross receipts or \$4 million, whichever is greater (included separately in the “Other Revenues” category).

In late 2019, the State enacted the Lawful Internet Gaming Act (Public Act 152 of 2019), the Lawful Internet Sports Betting Act (Public Act 149 of 2019), and amendments to the Michigan Gaming Control and Revenue Act. Only internet gaming and sports betting conducted within Michigan’s borders is authorized. Only the current Detroit and tribal casinos are eligible licensees. On-site sports betting at casinos began in March 2020. The State launched internet gaming and sports betting in late January 2021.

Internet gaming conducted by the Detroit casinos is taxed at a graduated rate on their adjusted gross receipts received each month as outlined below. The City receives 30% of this tax revenue.

- For adjusted gross receipts less than \$4,000,000, a tax of 20%.
- For adjusted gross receipts of \$4,000,000 or more but less than \$8,000,000, a tax of 22%.
- For adjusted gross receipts of \$8,000,000 or more but less than \$10,000,000, a tax of 24%.
- For adjusted gross receipts of \$10,000,000 or more but less than \$12,000,000, a tax of 26%.
- For adjusted gross receipts of \$12,000,000 or more, 28%.

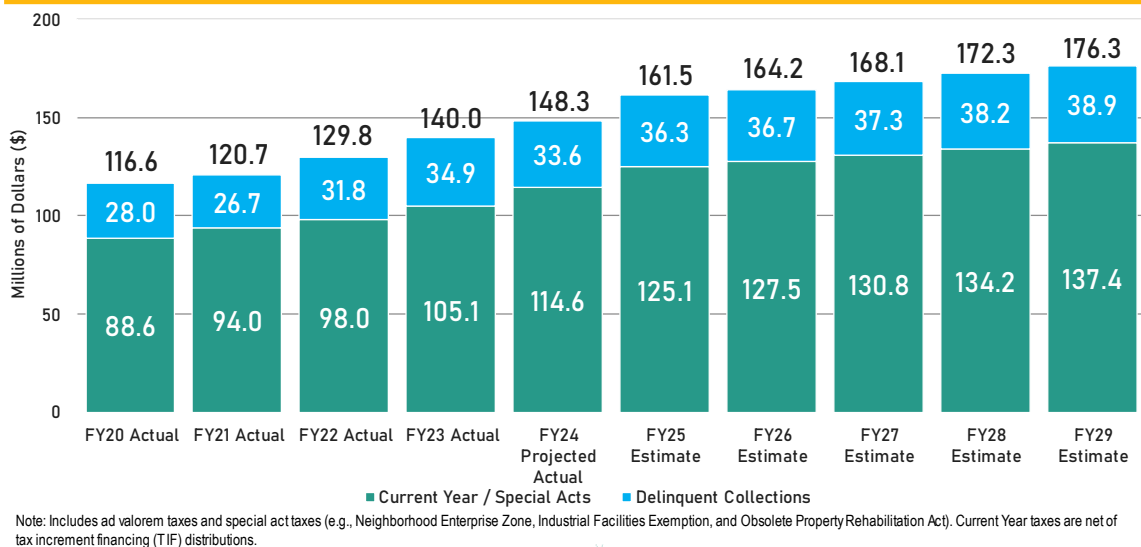
Internet sports betting conducted by the Detroit casinos is taxed at a rate of 8.4% on their adjusted gross sports betting receipts. The City receives 30% of this tax revenue. Retail sports betting conducted on-site at

the Detroit casinos is taxed at a rate of 8.4% on their qualified adjusted gross receipts. The City receives 55% of this tax revenue. In addition to the taxes outlined above, internet gaming and sports betting conducted by the Detroit casinos are also subject to the existing development agreement taxes (up to 2% of AGR) and municipal service fees (1.25% of AGR) that apply to on-site gaming.

The most recent wagering tax revenue forecast shown above includes the updated activity through June 2024, which represents the most accurate picture of the gaming trends so far. The three casinos in Detroit have been observing different growth patterns across the different types of AGR. Overall, revenue from wagering tax is expected to grow at about 1% between FY 2025 and FY 2029. Between FY 2024 and FY 2025, revenue is expected to jump by about 8% because the FY 2024 total is affected by the strikes that occurred in the later months of 2023. In October and November 2023 (actual dates vary between casinos), dealers, cleaning staff, valets, and food staff were on strike which left slots and sports betting kiosks open for those wishing to still gamble at the casinos. Table game activity, which was affected the most during the strike, makes up about a quarter of casino retail gaming activity at the City's largest casino.

Property Tax:

Recurring Property Tax



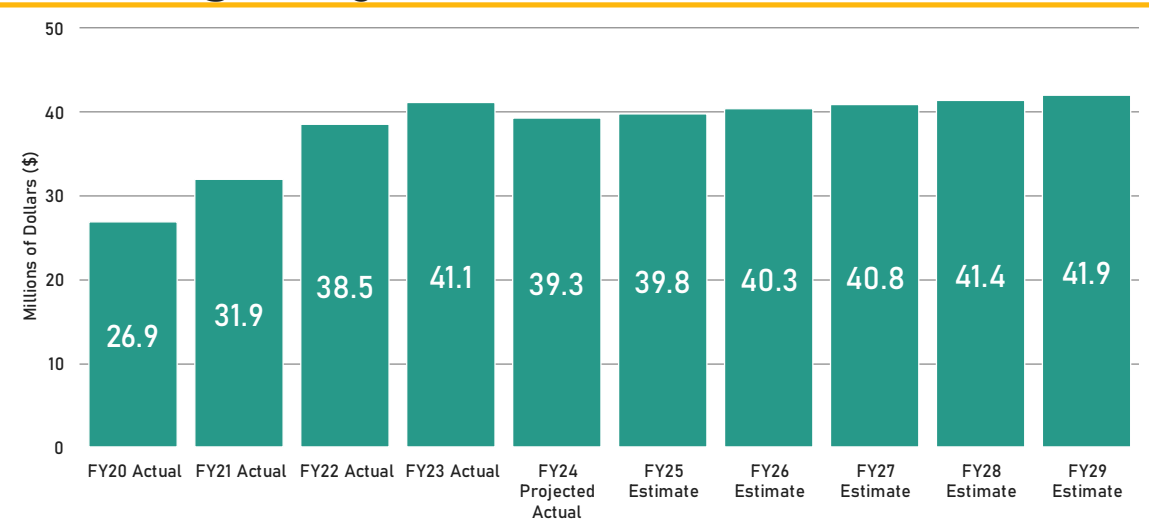
In accordance with the General Property Tax Act (Public Act 206 of 1893, as amended), the City levies taxes on real and personal property. Collections consist of current year taxes, delinquent taxes, and related auction proceeds. The City currently levies 19.812 mills for general operating purposes. However, the millage rate and taxable values are subject to various abatements and exemptions. The actual General Fund collections and revenue estimates are net of captured tax increment financing distributions. The amounts include ad valorem property tax revenue and Special Act property tax revenues from Neighborhood Enterprise Zones, Industrial Facilities Tax, and Obsolete Property Rehabilitation Act parcels.

The primary driver for growth during the forecast period is a lagged inflation rate determined by the State Tax Commission (US Consumer Price Index for Urban Consumers lagged by one year) applied to the reported tax year 2024 base, which is defined as the cap for growth in taxable value under the State constitution (Proposal A). This growth is partly offset by the State-mandated exemption of industrial personal property

taxes in FY 2024. The FY 2024 collection rate of 85% is held constant throughout the forecast period. Other components, such as payments from Wayne County for delinquent real property tax collections and revenue capture by TIF authorities, are also factored into the forecast based on current and historical observations. Updated taxable values applicable to FY 2024 were higher than expected, leading to an upward revision of the forecast. The calculated inflation cap is expected to remain elevated until FY 2025 and projected to stabilize at 2.6% in fiscal years 2026-2029 as inflationary pressures wane. The forecast does not include prospective gains from additions to the tax base or the “uncapping” of taxable value.

Utility Users Tax:

Recurring Utility Users Tax

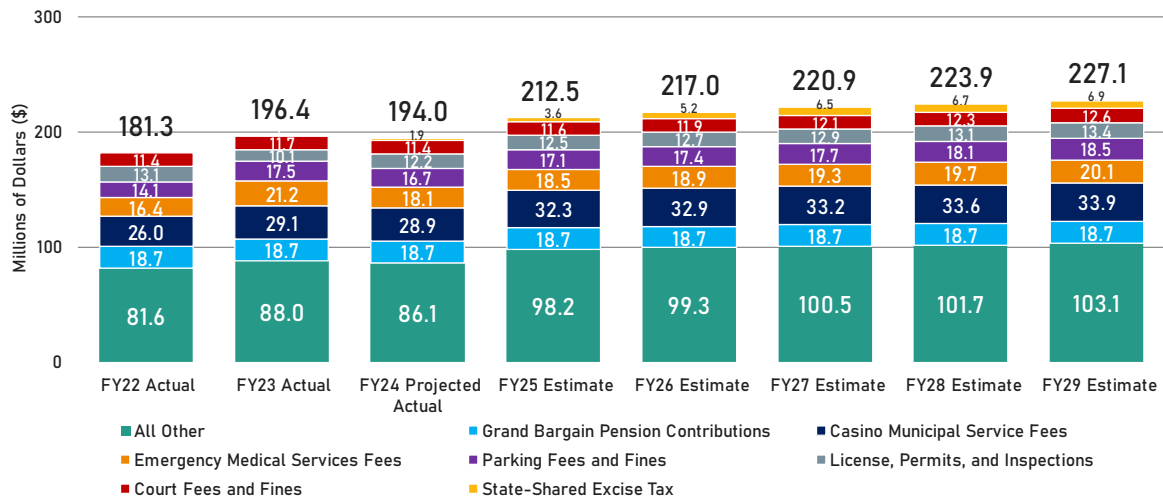


Note: Utility Users Tax for the General Fund is net of annual \$12.5M dedicated to Public Lighting Authority debt service.

In accordance with the City Utility Users Tax Act (Public Act 100 of 1990, as amended), the City levies a 5% tax on consumption of electricity, gas, steam, and telephone services. The estimated revenues shown in the graph are net of \$12.5 million disbursed annually to the Public Lighting Authority (PLA). Weather conditions have a large effect on how much revenue is received from this tax since it affects demand of utilities. Since the winter months of 2024 were milder than expected, revenues received in FY 2024 were lower than expected. There is upside potential for this revenue if temperatures in the upcoming winter are colder than expected or if prices of electricity and gas start to climb. Local CPI for utility gas started to lower in the second half of FY 2023 and plateaued in FY 2024. With all of these factors considered, the forecasted revenue grows by 1.3% annually through FY 2029.

Other Departmental General Fund Revenue:

Recurring Other Revenues (General Fund)



Note: Recurring revenues exclude one-time items like asset sales and bond proceeds.

The Other Revenue category includes various non-major revenues mostly administered by individual departments related to their operations and services. The graph above shows the largest categories of these revenues. The FY 2024 projected actual fell by 1.2% over the FY 2023 actuals, driven by a \$3.1 million decrease in emergency medical services fee revenue. The estimates assume an aggregate long-term growth trend of 1.0% to 2.0% through FY 2029. The forecast excludes non-recurring items, such as asset sales. The full breakdown of other revenues in the General Fund is shown below.

City of Detroit - General Fund Other Revenue Estimates - Detail

\$ in millions

	FY 2022 Audited Actual	FY 2023 Audited Actual	FY 2024 Projected Actual	September 2024 Estimates				
				FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Other Revenue (Recurring)								
Casino Municipal Service Fees	\$ 26.0	\$ 29.1	\$ 28.9	\$ 32.3	\$ 32.9	\$ 33.2	\$ 33.6	\$ 33.9
State-Shared Excise Tax	-	-	1.9	3.6	5.2	6.5	6.7	6.9
Emergency Medical Services Fees	16.4	21.2	18.1	18.5	18.9	19.3	19.7	20.1
Direct and Indirect Cost Recoveries for Inter-Agency Billings	25.5	27.2	27.3	36.8	37.5	38.3	39.1	39.8
DIA/Foundation Grand Bargain Contributions	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7
Parking Fees and Fines	14.1	17.5	16.7	17.1	17.4	17.7	18.1	18.5
Licenses, Permits, & Inspection Charges	13.1	10.1	12.2	12.5	12.7	12.9	13.1	13.4
Court Fees and Fines	11.4	11.7	11.4	11.6	11.9	12.1	12.3	12.6
Earnings on Investments	3.5	10.9	10.0	10.0	10.0	10.0	10.0	10.0
Operational Fees	34.0	33.1	34.5	36.9	37.4	37.9	38.4	38.9
Non-Major Taxes, Assessments & Interest	6.3	6.9	3.8	3.9	4.0	4.1	4.1	4.2
Other Fines, Forfeits, & Penalties	3.7	3.8	4.0	4.1	4.2	4.3	4.4	4.4
Other Revenue	8.5	6.1	6.4	6.5	6.2	6.0	5.8	5.6
Subtotal, Other Revenue (Recurring)	\$ 181.3	\$ 196.4	\$ 194.0	\$ 212.5	\$ 217.0	\$ 220.9	\$ 223.9	\$ 227.1
Other Revenue (Non-Recurring)								
Sale of Assets	\$ 5.6	\$ 7.5	\$ 3.3	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9
Casino Municipal Service Fees	(4.0)	-	-	-	-	-	-	-
Direct and Indirect Cost Recoveries for Inter-Agency Billings	-	3.0	-	-	-	-	-	-
Operational Fees	-	0.8	2.2	-	0.4	0.4	0.4	0.4
Other Fines, Forfeits, & Penalties	-	1.8	-	-	-	-	-	-
Licenses, Permits, & Inspection Charges	-	3.0	-	-	-	-	-	-
Presidential Primary Reimbursement	-	-	-	4.0	-	-	-	-
Earnings on Investments	-	14.0	43.3	20.0	5.0	-	-	-
Other Revenue	3.0	4.8	8.2	3.4	-	-	-	-
Subtotal, Other Revenue (Non-Recurring)	\$ 4.6	\$ 34.8	\$ 57.0	\$ 28.3	\$ 6.3	\$ 1.3	\$ 1.3	\$ 1.3
Total, Other Revenue	\$ 186.0	\$ 231.2	\$ 251.0	\$ 240.8	\$ 223.3	\$ 222.1	\$ 225.2	\$ 228.3

Non-General Fund Revenues:

City of Detroit - Non-General Fund Revenue Estimates									
\$ in millions									
	FY 2022 Audited Actual	FY 2023 Audited Actual	FY 2024 Projected Actual	September 2024 Estimates					
				FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	
Special Revenue and Other Restricted Funds									
BSEED Construction Code Fund	26.7	26.7	\$ 29.5	\$ 30.1	\$ 30.7	\$ 31.3	\$ 31.9	\$ 32.6	
Community Development Block Grant	53.3	48.7	31.3	32.3	32.3	32.3	32.3	32.3	
CRIO Workforce Development Fund	3.4	2.9	1.9	3.1	3.2	3.2	3.3	3.4	
Detroit Public Library	34.1	36.9	36.5	37.2	37.9	38.7	39.5	40.2	
DPD Drug Law Enforcement and Forfeiture Fund	1.4	0.9	0.6	1.2	1.3	1.3	1.3	1.3	
DPW METRO Fund	3.1	3.3	3.2	3.2	3.2	3.2	3.2	3.2	
DPW Solid Waste Management Fund	52.4	54.2	54.3	56.8	59.4	62.0	62.6	63.2	
DPW Street Funds	104.0	104.8	102.2	106.7	109.0	111.1	113.3	115.6	
Grant Funds	61.8	59.3	48.9	53.7	54.6	55.5	56.4	57.4	
PLD Decommissioning Reserve Fund	1.3	2.7	3.0	2.5	2.4	2.2	2.0	1.8	
Special Revenue Fund	6.3	11.3	13.7	14.2	14.7	14.3	15.4	15.5	
UTGO Debt Service Fund	73.0	74.6	77.9	71.8	59.9	53.5	51.5	45.9	
Enterprise Funds (Operating and Grants)									
Coleman A. Young International Airport	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
Detroit Department of Transportation	69.2	60.6	70.0	74.5	74.7	74.9	75.0	75.2	
Detroit Water and Sewerage Department	538.3	517.1	552.1	563.3	574.5	586.0	597.7	609.7	
Total, Recurring Non-General Fund Revenue	\$ 1,028.9	\$ 1,004.3	\$ 1,025.2	\$ 1,051.1	\$ 1,058.1	\$ 1,069.9	\$ 1,086.0	\$ 1,097.8	
Non-Recurring Non-General Fund Revenue									
Detroit Department of Transportation	40.0	40.9	3.2						
Detroit Public Library			1.6						
Grant Funds			6.2						
Special Revenue Fund	2.9	4.7	6.2						
Special Revenue and Restricted Funds	2.9	4.6	5.7						
UTGO Debt Service Fund		2.8							
Total, Non-Recurring Non-General Fund Revenue	\$ 45.8	\$ 53.0	\$ 23.0	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Non-General Fund Revenue	\$ 1,074.6	\$ 1,057.2	\$ 1,048.2	\$ 1,051.1	\$ 1,058.1	\$ 1,069.9	\$ 1,086.0	\$ 1,097.8	

Notes:

- * Amounts exclude inter-fund transfers. Actuals include various grant reimbursements and other one-time items not included in forecasts.
- * DWSD estimates include use of bonds and other fund balances not reported in revenue actuals.
- * Solid Waste Fund includes \$10 per year residential fee increase for the next three years, approved by City Council on 2/6/24.

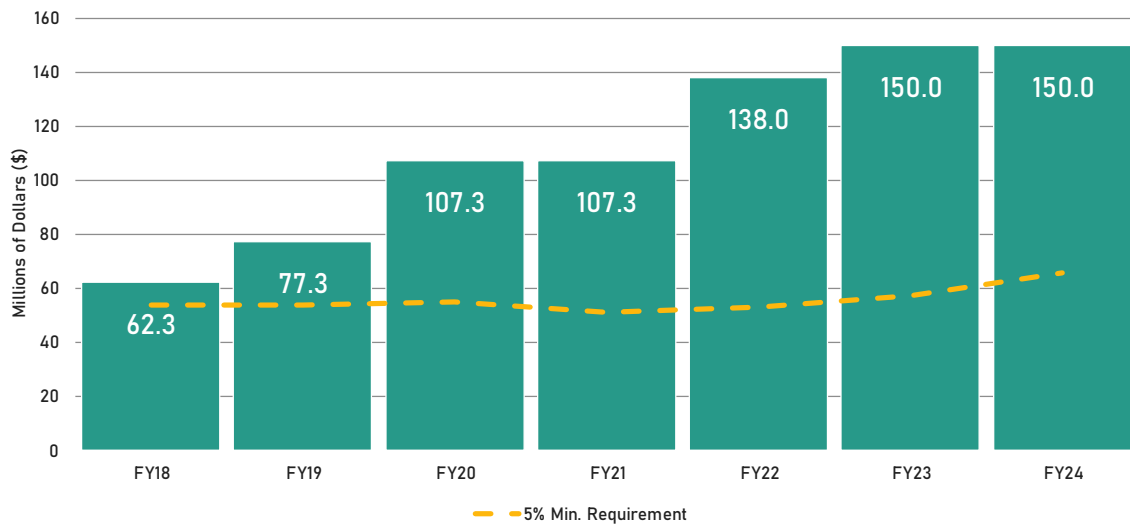
Non-General Fund revenues include enterprise, grants and special revenue funds. These include water and sewer bills, bus fares, solid waste fees, intergovernmental aid for roads and transit, and other restricted revenues. Note that the amounts above exclude General Fund contributions, interfund transfers, and the use of fund balance. The Major Street Fund receives most of its revenue from gas and weight tax distributions from the State. The UTGO Debt Service Fund represents the City's debt millage, which raises property tax revenue sufficient to pay debt service on voter-approved bonds. The Solid Waste Management Fund includes the annual solid waste fee seen on the summer property tax bill, which supports residential curbside garbage collection. This fee will increase by \$10 each year over tax years 2024-2026, totaling \$270 by tax year 2026. The Transportation enterprise fund is for the Detroit Department of Transportation (DDOT). It includes bus fares, State formula aid for bus operations, and transit capital grants. Non-general fund recurring revenues on average are projected to increase by about 1.1% annually between FY 2025 and FY 2029.

Budget Reserve:

State of Michigan Public Act 279 of 1909, Sections 117.4t(1)(b)(vi) and 117.4t(1)(c)(vi), as amended by Public Act 182 of 2014, states the City's annual four-year financial plan shall include and comply with the following requirements:

- Measures to assure adequate reserves for mandated and other essential programs and activities in the event of an overestimation of revenue, an underestimation of expenditures, or both.
- Include a general reserve fund for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to no less than 5% of the projected expenditures for the fiscal year.

Budget Reserve (“Rainy Day Fund”)



As of June 30, 2023, the City's Budget Reserve (or “Rainy Day fund”) totaled \$150.0 million, which exceeded the minimum requirement of 5% of the projected expenditures. No additional allocation was authorized during the FY 2025 budget process leaving the total budget reserve at \$150 million, approximately 11% of expenditures.

Revenue Forecast Risk:

Downside Risks

- Internet gaming growth trends not meeting expectations
- State budget constraints for revenue sharing in forecast years
- Slower growth in key employment sectors
- ARPA activity slowing down

Upside Risks

- Above trend residential, commercial, and industrial development
- Above trend resident wage growth
- Passing of HB-4605 & HB-4606
- Higher taxable property values (uncapping and additions to the base)
- Higher utility consumption than expected

Appendix, Exhibit 1 – FY 2025 General Fund Non-Recurring Detail

FY 2025 General Fund Non-Recurring Detail		
\$ in millions		
<u>Major Revenues</u>		
Income tax corporate returns		2.5
<u>Other Revenue</u>		
Sale of Assets		0.9
Presidential Primary Reimbursement		4.0
Earnings on Investments		20.0
Den-Man Restitution		3.4
Other Revenues Subtotal	\$	28.3
Total Non-Recurring Revenue	\$	30.8